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February 24, 2006

Randall A. Hayes
President
Peoples Gas, Inc.
P. O. Box 245
Stanville, KY 41659-0245

CERTIFICATE OF SERVICE

RE: Case No. 2006-00078
Peoples Gas, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on February 24, 2006.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/jc
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF PEOPLE'S) CASE NO. 2006-00078
GAS, INC.)

ORDER

On April 30, 2001, in Case No. 2001-00027, the Commission approved the transfer of the Phelps portion of the Mike Little Gas Co., Inc. ("Mike Little") system to People's Gas, Inc. ("People's") and provided for the adjustment of rates on a quarterly basis in accordance with Mike Little's gas cost adjustment ("GCA") clause, which People's adopted and ratified as ordered in paragraph 3 of the Commission's Order approving the transfer.¹

On February 20, 2006, People's filed its GCA to be effective March 1, 2006.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. People's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.
2. People's notice sets out an expected gas cost ("EGC") of \$15.7297 per Mcf. People's EGC is based on Columbia Gas of Kentucky's ("Columbia") Intrastate Utility Service rate ("IUS"). Effective January 31, 2006, Columbia revised its IUS rate to

¹ Case No. 2001-00027, Joint Petition of Mike Little Gas Company, Inc. and People's Gas Inc. for the Transfer of Gas Transmission Facilities and Joint Motion for Relief from Compliance Schedule, Order dated April 30, 2001.

\$11.9241.² In order to allow People's to more accurately recover its gas cost over the next quarter, the Commission is revising People's EGC to reflect Columbia's new rate. After adjusting for line loss, People's revised EGC is \$12.5517, which is a decrease of \$2.8582 per Mcf from its prior EGC of \$15.4099.

3. People's notice sets out no current quarter refund adjustment.

4. People's notice sets out a current quarter actual adjustment ("AA") of \$1.3841 per Mcf. People's total AA is \$4.0065 per Mcf, which is an increase of \$1.3841 per Mcf from its previous total AA.

5. People's notice proposes no current quarter balance adjustment ("BA"). People's total BA is 9.13 cents per Mcf, which is no change from its previous total BA.

6. People's GCA is \$16.6495 per Mcf, which is a decrease of \$1.4741 per Mcf from its previous rate of \$18.1236.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by People's on and after March 1, 2006.

IT IS THEREFORE ORDERED that:

1. The rates proposed by People's are denied.

2. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing for service rendered on and after March 1, 2006.

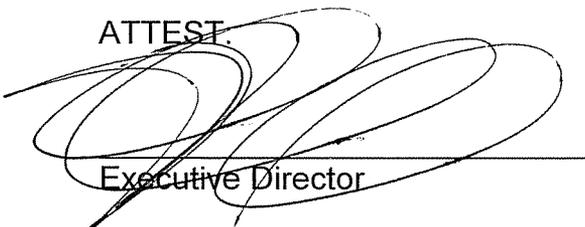
3. Within 20 days of the date of this Order, People's shall file with this Commission its revised tariffs setting out the rates authorized herein.

² Case No. 2006-00038, Notice of Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc., Order dated January 30, 2006.

Done at Frankfort, Kentucky, this 24th day of February, 2006.

By the Commission

ATTEST.



Executive Director

Case No. 2006-00078

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NOS. 2006-00078 DATED February 24, 2006.

The following rates and charges are prescribed for the customers in the area served by People's Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

Monthly:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
First 1 Mcf -- Minimum Bill	\$4.3971	\$16.6495	\$21.0466
Over 1 Mcf	2.7670	16.6495	19.4165